

IRS News Release

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Jenkins & Gilchrist Admits It Is Subject to \$76 Million IRS Penalty

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WASHINGTON — The Internal Revenue Service today announced that it has reached a settlement with the law firm of Jenkins & Gilchrist, which agreed that they are subject to a penalty of \$76 million. The penalty stems from the firm's promotion of abusive and fraudulent tax shelters and violation of the tax law concerning tax shelter registration and maintenance and turnover to the IRS of tax shelter investor lists.

"While it is unfortunate that the 56-year-old national firm of Jenkins & Gilchrist is terminating its legal practice, this should be a lesson to all tax professionals that they must not aid or abet tax evasion by clients or promote potentially abusive or illegal tax shelters, or ignore their responsibilities to register or disclose tax shelters," said IRS Commissioner Mark W. Everson. "Pursuing abusive tax shelters is a top priority for the IRS."

The firm aggressively marketed potentially abusive tax shelters to high-net-worth individuals. Some of the packages marketed to these individuals included listed transactions such as COBRA (Currency Options Bring Reward Alternatives); BEST (Short Option/Basis Enhancing Securities Transaction); BLISS (Basis Leveraged Investment Swap Spreads); OPS (Option Partnership Strategy); BEDS (Basis Enhancing Derivatives Structure); and BOSS (Bond & Option Sale Strategy).

The firm also marketed two transactions that are not listed transactions — HOMER (Hedge Option Monetization of Economic Remainders) and BART (Basis Adjustment Remainder Trusts).

The agency estimates that 1,400 investors are affected by the firm's advice and will owe interest and penalties on their underpayment of tax. Jenkins & Gilchrist, which was once a 600-lawyer national firm, is in the process of winding down its legal practice and business affairs.

The national law firm of Jenkins & Gilchrist is composed of a corporation in Dallas, Texas; a corporation in Chicago, Illinois; a partnership in Los Angeles, California; and a partnership in New York City.